



0000095881

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2009 APR 24 P 3:08

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

AZ CORP COMMISSION
DOCKET CONTROL

In the matter of:

DOCKET NO. S-20673A-09-0198

THOMAS S. BLACKWELL (CRD #
4370822) and KIMBERLY BLACKWELL,
husband and wife,

NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, FOR RESTITUTION,
OF REVOCATION, FOR ADMINISTRATIVE
PENALTIES, AND FOR OTHER
AFFIRMATIVE ACTION

TEAM HEAT, LLC, a terminated Arizona
limited liability company,

Respondents.

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents THOMAS S. BLACKWELL and TEAM HEAT, LLC have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") and that THOMAS S. BLACKWELL controlled TEAM HEAT, LLC within the meaning of A.R.S. § 44-1999, such that he is jointly and severally liable under A.R.S. § 44-1999 to the same extent as TEAM HEAT, LLC for violations of the Securities Act..

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

Arizona Corporation Commission
DOCKETED

APR 24 2009

DOCKETED BY

ne

II.

RESPONDENTS

2. THOMAS S. BLACKWELL ("BLACKWELL") is an individual who, at all times relevant, resided in Maricopa County, Arizona. BLACKWELL is the manager of TEAM HEAT, LLC.

3. KIMBERLY BLACKWELL has been at all relevant times the spouse of BLACKWELL and may be referred to as "Respondent Spouse." Respondent Spouse is joined in this action under A.R.S. §44-2031(C) solely for purposes of determining the liability of the marital community.

4. At all relevant times, BLACKWELL acted for his own benefit and for the benefit or in furtherance of the marital community.

5. TEAM HEAT, LLC ("TEAM HEAT") is a terminated, Arizona limited liability company with a last known principal place of business in Maricopa County, Arizona.

6. BLACKWELL and TEAM HEAT may be referred to collectively as "Respondents."

III.

FACTS

7. At all relevant times, BLACKWELL was a registered securities salesman affiliated with World Group Securities, Inc. ("WGS"), an Arizona registered securities dealer. BLACKWELL resigned from WGS in February 2008.

8. At all relevant times, TEAM HEAT was not registered as a securities dealer.

9. From on or about August 2007 to January 2008 in Maricopa County, Arizona, Respondents offered and sold to 11 investors \$1,429,000 of investment contracts issued by TEAM HEAT with the title Rate of Return Agreement. Respondents have repaid to investors amounts totaling \$683,365.

1 10. The offers and sales of the Rate of Return Agreements were not recorded on the
2 records of WGS. Investments associated with TEAM HEAT were not authorized investment
3 products of WGS and BLACKWELL was not authorized by WGS to sell them.

4 11. The Rate of Return Agreements state as follows: "Investors are to provide funds
5 and TEAM HEAT is to provide the rate of return on the funds. A rate of return is projected to be
6 5% if a monthly withdrawal is taken. A return on investment is projected to be 6% monthly or
7 101% annually if funds are left to compound without any withdrawals. Return is...based on past
8 performance."

9 12. TEAM HEAT had no past performance generating returns on investments. TEAM
10 HEAT was formed by BLACKWELL for tax purposes, self-employment status, tax deductions,
11 and to pay his bills (e.g., office rent, assistant, office supplies). Prior to the offers and sales of the
12 Rate of Return Agreements, the business activity of TEAM HEAT did not include investments.

13 13. Respondents deposited all of the investors' money into one of Respondents' bank
14 accounts for investment by Respondents and Respondents expected to keep as their compensation
15 the difference between what the investments would actually yield and the return to be paid to
16 investors pursuant to the Rate of Return Agreements.

17 14. BLACKWELL represented that he and TEAM HEAT would put the investors'
18 money into "investments that he has looked at," investments chosen by Respondents, not the
19 investors, including a highly profitable venture that funded television advertisements for a variety
20 of products (the "TV AD Venture"). In August 2007, BLACKWELL viewed the TV AD
21 Venture's website that claimed investors would earn annual returns between 4,800 and 12,000
22 percent.

23 15. In September 2007, BLACKWELL learned that the TV AD Venture's operations
24 were transitioning offshore. In early November 2007, the TV AD Venture stopped making
25 payments to its investors and BLACKWELL was unable to obtain a refund of principal from the
26 operators of the TV AD Venture. In late December 2007, BLACKWELL learned that the

1 Securities and Exchange Commission had filed an enforcement action against the principals of the
2 TV AD Venture for fraud, alleging that the TV AD Venture really had no business operations and
3 that it was simply a Ponzi scheme. Respondents did not disclose to the investors any of the
4 foregoing information.

5 16. Although Respondents received some payments from the operators of the TV AD
6 Venture, much of the investors' money was lost.

7 17. In January 2008, Respondents tried to recoup the investors' losses by causing some
8 of the investors' money to be used in foreign currency trading. After just a few days of trading,
9 Respondents lost additional amounts and ceased further use of the investors' money.

10 18. In early February 2008, BLACKWELL told the investors simply that the TV AD
11 Venture lost money and that "it didn't work out like we hoped," so Respondents refunded to the
12 investors what money of theirs that Respondents had left at the time.

13 19. Respondents have repaid in full some, but not all, of the investors.

14 20. Respondents spent \$122,466 of the investors' money on personal and business
15 expenses, including \$5,400 in automobile lease payments.

16 **IV.**

17 **VIOLATION OF A.R.S. § 44-1841**

18 **(Offer or Sale of Unregistered Securities)**

19 21. From on or about August 2007 to January 2008, Respondents offered or sold
20 securities in the form of investment contracts within or from Arizona.

21 22. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
22 Securities Act.

23 23. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

24. TEAM HEAT offered or sold securities within or from Arizona while not registered as a dealer pursuant to Article 9 of the Securities Act.

25. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

26. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) Misrepresenting that the return to have been paid to the investors would have been based on past performance;

b) Failing to disclose information that contradicted the representation that the TV AD Venture was highly profitable;

c) Failing to adequately disclose that some investors would be repaid in full before other investors and that Respondents would decide which investors that would be; and,

d) Failing to disclose that Respondents would spend \$122,466 of the investors' money on personal and business expenses, including \$5,400 in automobile lease payments, before all of the investors have been repaid.

27. This conduct violates A.R.S. § 44-1991.

REMEDIES PURSUANT TO A.R.S. § 44-1962

29. BLACKWELL'S conduct is grounds to revoke his registration as a securities salesman with the Commission pursuant to:

- a) A.R.S. § 44-1962(A)(2) for violating A.R.S. §§ 44-1841 and 44-1991; and,
- b) A.R.S. § 44-1962(A)(10) for engaging in dishonest or unethical practices as defined by A.A.C. R14-4-130(A)(17) (effecting securities transactions that were not recorded on the records of the dealer with whom he was registered at the time of the transactions).

30. BLACKWELL'S conduct is grounds to assess restitution, penalties, and/or take appropriate affirmative action pursuant to A.R.S. § 44-1962. Specifically, BLACKWELL engaged in dishonest or unethical practices as defined by A.A.C. R14-4-130(A)(17) (effecting securities transactions that were not recorded on the records of the dealer with whom he was registered at the time of the transactions).

REQUESTED RELIEF

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. §§ 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. §§ 44-2032;

4. Order BLACKWELL to pay the state of Arizona administrative penalties, pursuant to A.R.S. § 44-1962;

5. Order the revocation of BLACKWELL'S registration as a securities salesman pursuant to A.R.S. § 44-1962;

6. Order that the marital community of BLACKWELL and Respondent Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and,

7. Order any other relief that the Commission deems appropriate.

7. Order any other relief that the Commission deems appropriate.

IX.

HEARING OPPORTUNITY

Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a Respondent or a Respondent Spouse requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

1 Persons with a disability may request a reasonable accommodation such as a sign language
2 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
3 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
4 Requests should be made as early as possible to allow time to arrange the accommodation.

5 **X.**

6 **ANSWER REQUIREMENT**

7 Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing,
8 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for
9 Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix,
10 Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions
11 may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet
12 web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

13 Additionally, the answering respondent must serve the Answer upon the Division.
14 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-
15 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
16 Arizona, 85007, addressed to Aaron S. Ludwig.

17 The Answer shall contain an admission or denial of each allegation in this Notice and the
18 original signature of the answering respondent or respondent's attorney. A statement of a lack of
19 sufficient knowledge or information shall be considered a denial of an allegation. An allegation
20 not denied shall be considered admitted.

21 When the answering respondent intends in good faith to deny only a part or a qualification
22 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
23 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

Dated this 24 day of April 2009.

my —

Matthew J. Neubert
Director of Securities